

TENNESSEE GENERAL ASSEMBLY  
FISCAL REVIEW COMMITTEE



**FISCAL NOTE**

**HB 2277 – SB 2909**

March 8, 2012

**SUMMARY OF BILL:** Increases the gasoline tax rate and the diesel tax rate by one cent per gallon in each of the next six years, beginning on January 1, 2013. Requires the Department of Revenue (DOR) to notify suppliers, wholesalers, and importers of such tax rate increases. Apportions tax revenue generated from the tax rate increases to the various local governments of the state, except for one percent retained by the state for cost of administration.

**ESTIMATED FISCAL IMPACT:**

**Increase State Revenue –**

**\$205,300/FY12-13/Department of Revenue**  
**\$615,800/FY13-14/Department of Revenue**  
**\$1,026,300/FY14-15/Department of Revenue**  
**\$1,436,800/FY15-16/Department of Revenue**  
**\$1,847,300/FY16-17/Department of Revenue**  
**\$2,257,900/FY17-18 and Subsequent Years/Department of Revenue**

**Increase State Expenditures –**

**\$205,300/FY12-13/Department of Revenue**  
**\$615,800/FY13-14/Department of Revenue**  
**\$1,026,300/FY14-15/Department of Revenue**  
**\$1,436,800/FY15-16/Department of Revenue**  
**\$1,847,300/FY16-17/Department of Revenue**  
**\$2,257,900/FY17-18 and Subsequent Years/Department of Revenue**

**Increase Local Revenue - \$20,320,800/FY12-13**

**\$60,962,300/FY13-14**  
**\$101,603,800/FY14-15**  
**\$142,245,400/FY15-16**  
**\$182,886,900/FY16-17**  
**\$223,528,500/FY17-18 and Subsequent Years**

**Assumptions:**

- One hundred percent of the incremental gasoline and diesel tax revenue is apportioned to local governments (net of costs for administration).

- Pursuant to Tenn. Code Ann. § 67-3-201(a), the current gasoline tax is 20 cents per gallon. The current budgeted estimate for gasoline tax revenue for FY12-13 is \$622,100,000. The number of gallons assessed is estimated to be 3,110,500,000 ( $\$622,100,000 / \$0.20$ ). These numbers are assumed to remain constant in subsequent years under current law.
- Pursuant to Tenn. Code Ann. § 67-3-202(a), the current diesel tax is 17 cents per gallon. The current budgeted estimate for diesel tax revenue for FY12-13 is \$169,100,000. The number of gallons assessed is estimated to be 994,705,882 ( $\$169,100,000 / \$0.17$ ). These numbers are assumed to remain constant in subsequent years under current law.
- Given the January 1, 2013 effective date for the tax increases, the first fiscal year impacted will be FY12-13, which will reflect a half-year impact.
- Under this bill, gasoline tax revenue for FY12-13 is estimated to be \$637,652,500 [ $(\$622,100,000 \times 50\%) + (3,110,500,000 \times 50\% \times \$0.21)$ ]. The increase in gasoline tax revenue for FY12-13 is estimated to be \$15,552,500 ( $\$637,652,500 - \$622,100,000$ ).
- Under this bill, diesel tax revenue for FY12-13 is estimated to be \$174,073,529 [ $(\$169,100,000 \times 50\%) + (994,705,882 \times 50\% \times \$0.18)$ ]. The increase in diesel tax revenue for FY12-13 will be \$4,973,529 ( $\$174,073,529 - \$169,100,000$ ).
- The total increase in revenue for FY12-13 is estimated to be \$20,526,029 ( $\$15,552,500 + \$4,973,529$ ). One percent (or \$205,260) shall be subtracted and retained by the Department of Revenue (DOR) for the cost of administration. The net increase in local revenue is estimated to be \$20,320,769 ( $\$20,526,029 - \$205,260$ ).
- Under this bill, gasoline tax revenue for FY13-14 is estimated to be \$668,757,500 [ $(3,110,500,000 \times 50\% \times \$0.21) + (3,110,500,000 \times 50\% \times \$0.22)$ ]. The increase in gasoline tax revenue for FY13-14 is estimated to be \$46,657,500 ( $\$668,757,500 - \$622,100,000$ ).
- Under this bill, diesel tax revenue for FY13-14 is estimated to be \$184,020,588 [ $(994,705,882 \times 50\% \times \$0.18) + (994,705,882 \times 50\% \times \$0.19)$ ]. The increase in diesel tax revenue for FY13-14 is estimated to be \$14,920,588 ( $\$184,020,588 - \$169,100,000$ ).
- The total increase in revenue for FY13-14 is estimated to be \$61,578,088 ( $\$46,657,500 + \$14,920,588$ ). One percent (or \$615,781) shall be subtracted and retained by the Department of Revenue (DOR) for the cost of administration. The net increase in local revenue is estimated to be \$60,962,307 ( $\$61,578,088 - \$615,781$ ).
- For purpose of brevity in this fiscal note, calculations for FY14-15 and subsequent years have been omitted from this fiscal note. However, the following estimates for these fiscal years were determined utilizing the methodology that was utilized for determining estimates for FY13-14 (adjusted for the tax rate increases). Detailed calculations for FY14-15 and subsequent years are on file with Fiscal Review Committee staff and available for review upon request.
- The total increases in departmental revenue for DOR, and equal recurring increases in departmental expenditures for the cost of administration are estimated as follows: \$1,026,301 for FY14-15; \$1,436,822 for FY15-16; \$1,847,343 for FY16-17; and \$2,257,863 for FY17-18 and subsequent years.
- The net increases in local government revenue are estimated as follows: \$101,603,846 for FY14-15, \$142,245,384 for FY15-16, \$182,886,922 for FY16-17, and \$223,528,460 for FY17-18 and subsequent years.

**CERTIFICATION:**

The information contained herein is true and correct to the best of my knowledge.

A handwritten signature in black ink, appearing to read "Lucian D. Geise". The signature is fluid and cursive, with the first name "Lucian" written in a larger, more prominent script than the last name "Geise".

Lucian D. Geise, Executive Director

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